



# Program Brief

## **“Evaluating the Progress In the Global War Against Terrorist Financing”**

Lectures by

**Professor Jimmy GURULÉ**

School of Law, University of Notre Dame, Notre Dame, Indiana

Former Under Secretary for Enforcement, U.S. Department of the Treasury

Former Assistant Attorney General, U.S. Department of Justice

Linz & Vienna

June 6-8, 2005

Background information provided by the

**American Reference Center**

Schmidgasse 14, 1082 Vienna

Tel. 405 30 33

Fax 406 52 60

e-mail: [arc@usembassy.at](mailto:arc@usembassy.at)

<http://www.usembassy.at>

## U.S. GOVERNMENT RESOURCES

Topical page from the website of the U.S. Embassy Vienna:

- [Money Laundering and Corruption](http://www.usembassy.at/en/policy/laundrying.htm)  
(<http://www.usembassy.at/en/policy/laundrying.htm>)

Pages compiled by the Bureau of International Information Programs/U.S. Department of State:

- [Terrorist Financing](http://usinfo.state.gov/ei/economic_issues/terrorist_financing.html)  
([http://usinfo.state.gov/ei/economic\\_issues/terrorist\\_financing.html](http://usinfo.state.gov/ei/economic_issues/terrorist_financing.html))
- [Money Laundering](http://usinfo.state.gov/ei/economic_issues/terrorist_financing/money_laundering.html/)  
([http://usinfo.state.gov/ei/economic\\_issues/terrorist\\_financing/money\\_laundering.html/](http://usinfo.state.gov/ei/economic_issues/terrorist_financing/money_laundering.html/))



U.S. Department of State

- **Bureau of Economic and Business Affairs:** [Combating Terrorist Financing](http://www.state.gov/e/eb/c9984.htm) (<http://www.state.gov/e/eb/c9984.htm>)
- **Office of the Coordinator for Counterterrorism:** [Counterterrorism Finance Unit](http://www.state.gov/s/ct/terfin/) (<http://www.state.gov/s/ct/terfin/>)

U.S. Department of the Treasury

- [Office of Terrorism and Financial Intelligence](http://www.treas.gov/offices/enforcement/)  
(<http://www.treas.gov/offices/enforcement/>)
- [Financial Crimes Enforcement Network](http://www.fincen.gov/) (<http://www.fincen.gov/>)



## STATEMENTS

- [Testimony of Stuart Levey](#)

Under Secretary, Office of Terrorism and Financial Intelligence, U.S.  
Department of the Treasury  
Before the House Financial Services Subcommittee on Oversight and  
Investigations and the House International Relations Subcommittee on  
International Terrorism and Nonproliferation  
May 4, 2005  
(<http://www.treas.gov/press/releases/js2427.htm>)

...

As Under Secretary for the Office of Terrorism and Financial Intelligence, my highest priority is cutting off the flow of support to international terrorist groups. This has been the paramount focus of our office from day one, and we remain as fixated on it today as we were at our formation. Thanks to Congressional support, our office and our interagency colleagues grow stronger, more experienced, and more capable with each passing day.

I would like to take this opportunity to give you a sense of how we are doing. Scientific metrics are simply not available in our line of work. Al Qaida does not release financial statements, and we will never know precisely how much money intended for terrorists never reached their hands due to our efforts. We therefore find ourselves discussing proxies for the ultimate questions: how many donors and facilitators have been captured; how many channels for moving terrorist funds have been designated and blocked; or how many countries are equipped to monitor and interdict illicit financing channels. Each of these benchmarks points to only one aspect of the problem, though, and imperfectly at that. Most revealing, to my mind, is intelligence reporting that – although anecdotal – speaks to the difficulty with which terrorists are raising, moving, and storing money. The information available to us is encouraging. We are seeing terrorist groups avoiding formal financing channels and instead resorting to riskier and more cumbersome conduits like bulk cash smuggling. And, most importantly, we have indications that terrorist groups like al Qaida and HAMAS are feeling the pressure and are hurting for money.

This progress is a direct result of the Bush Administration's unrelenting efforts. As the President said again just last week, we must stay on the offensive in cutting off terrorist funding. The first-rate interagency team has made great strides against terrorist financing, identifying, capturing, prosecuting, or otherwise incapacitating key financial operatives. We are applying pressure on our international partners, particularly in the Middle East, to implement global standards and carry out their own targeted actions.

Of course, we are threatened not only by known financiers but also by those we don't know and those who may join their ranks in the future. A key advantage that we enjoy in the financial arena, however, is that our targets have something to lose.

In contrast to terrorist operatives who may be willing to die for their hateful cause, terrorist financiers typically live public lives with all that entails: property, occupation, family, and social position. Being publicly identified as a financier of terror threatens an end to all of this, lending our actions a real deterrent impact. Our reporting confirms this, indicating that once-willing donors are now thinking twice or balking altogether at sending money to terrorist groups.

...

- **Testimony of Juan Carlos Zarate**

Assistant Secretary, Terrorist Financing and Financial Crimes, U.S. Department of the Treasury

Before the House Financial Services Committee Subcommittee on Oversight and Investigations

February 16, 2005

(<http://www.treas.gov/press/releases/js2256.htm>)

...

Since September 11th, we have concentrated our attention on financially isolating those who support terrorism while building systems and capacities in the international financial system to heighten the risk and cost associated with moving tainted capital. Through an unprecedented global effort to shut down flows of money to Al Qaida and like-minded terrorist groups, it is now harder, costlier and riskier for terrorists to raise funds for their attacks. Terrorist assets and conduits of funding have been frozen, shut down or otherwise neutralized. Key facilitators have been captured or killed; otherwise sympathetic donors have been deterred or isolated, and through training and technical assistance we have increased the capacity of our global partners to combat terrorist financing.

In addition to concentrating on the formal mechanisms used by terrorists and criminals to hide sources and eventual uses of money, we have known and addressed the various informal ways that terrorist groups around the world raise and move money. We have applied a consistent approach to dealing with the relevant systemic risks attendant to different sectors of the international financial system - both formal and informal - in order to bring greater transparency and accountability to financial transactions globally.

To this end, we have supported and encouraged the worldwide expansion of the regulatory oversight to previously unregulated sectors, garnered more information from the newly regulated communities, and applied enforcement pressure where needed to help ensure compliance. In many respects, these efforts have shone the light of day on previously unseen or untended corners of the financial world.

Throughout this period, there has been a growing realization internationally that securing the financial system and all vulnerable sectors - in addition to targeting the sources of terrorist support - is an essential element of our fight against terrorism and financial crimes.

We must continue to build upon this strategy and systemic platform to reduce the risks associated with the movement of money in the less formal sectors of the international financial system.

Al Qaida and like-minded terrorist groups and their supporters will constantly search for the weak links in the preventative systems that are put in place in the United States and around the world. Thus, we are challenged to innovate ways of securing the international financial system and disrupting the financing that fuels terror, without doing damage to the workings of the free markets. This challenge extends to the less formal and previously unregulated sectors of the international economy.

#### THE EVOLVING THREAT

In the world of counter-terrorism, we are constantly facing new challenges and evolving threats. In this realm, we know that terrorist groups of all stripes use a variety of mechanisms to raise and move money.

Al Qaida has used charities and deep-pocket donors to raise and move money. Hamas holds fundraising events, where like-minded individuals are invited to contribute funds ultimately meant for terrorist activities. The terrorist cell that launched the devastating attacks on Madrid's train system raised money through drug dealing. In the United Kingdom, terrorists engage in bank robberies to acquire ready cash. Colombia's notorious FARC, ELN, and AUC narco-terrorists maintain drug cartels and kidnapping operations in order to support their terrorist operations. Still others, like Hezbollah, ETA, and Jemaah Islamiyah, employ front companies and phony businesses to funnel cash or extortion taxes meant to subsidize their terrorist networks.

These are just some examples that point to the real challenges that we face. Now more than ever, it is clear that terrorist financing is not a monolithic force - but part and parcel of a nexus comprised of adept financial criminals, corruptible financial institutions, and complex ideological and financial networks. The terrorist financing threat is evolving. Terrorist financiers are constantly adjusting to international efforts to obstruct them and consistently depend on new and innovative ways to bankroll the terrorist infrastructure.

...

- **[Keynote Address of Juan Carlos Zarate](#)**

Assistant Secretary, Terrorist Financing and Financial Crimes, U.S. Department of the Treasury

Harper's Bazaar/International AntiCounterfeiting Coalition Summit

February 1, 2005

(<http://www.ustreas.gov/press/releases/js2225.htm>)

...

The terrorist financing threat is evolving. Terrorist financiers are constantly adjusting to international efforts to obstruct them, and consistently depend on new and innovative ways to bankroll their murderous acts. To a certain extent, we have become a victim of our own success.

Through an unprecedented global effort to shut down flows of money to terrorists since 9/11, it is now harder, costlier and riskier for terrorists to raise funds for their attacks. Terrorist assets and conduits of funding have been frozen, shut down or otherwise neutralized. Key facilitators have been captured or killed, and otherwise sympathetic donors have been deterred or isolated.

U.S. and multinational victories against Al-Qaida have had a scattering effect, meaning that some of our terrorist enemies have dispersed into new and incongruous clusters. As Al-Qaida balkanizes, the organizations and those localized cells that are aligned with it are relying on additional and differentiated sources of financing to survive and proliferate. These sources, we have found, include various forms of financial crime.

In order to beat back this evolving threat, we must continue to stand firmly against anyone determined to raise illicit capital and move it clandestinely through the international financial system.

In order to triumph over a wide array of terrorist financing and financial crime threats, we need strong and flexible plans. Our strategy is therefore to both follow the money and attack its illicit sources. A key element of this strategy is recognizing that the government cannot simply arrest assets and individuals involved in terrorist financing. We must build systems that filter out tainted capital. This means creating mechanisms for both gathering valuable financial data without overburdening the financial sector, and punishing perpetrators of terrorist financing and financial crimes.

Effective mechanisms depend on greater collaboration and information sharing within the government and with the private sector. There is a need to innovate and adapt our anti-money laundering and counter-terrorist financing systems, which requires a heightened level of commitment from the government and the financial sector. The use of Section 314 of the Patriot Act is a good example of how this group effort works.

Section 314 of the Patriot Act mandates the sharing of information with and within the financial community -- that is, both vertically (between the government and the industry) and horizontally (providing a safe harbor that allows industry members to share information with each other). Within this paradigm, the financial sector is held accountable for its due diligence. In addition, the government must provide more and better information to the financial community, deliver substantive feedback, and use its authorities and advisories to help the world's financial community adapt to areas of growing concern or risk.

Treasury also utilizes its unique enforcement powers and regulations through the Patriot Act Section 311 designations process. It is important to remember that the movement of money in the 21st century knows no borders. Terrorism -- particularly the type of terrorism we are dealing with since 9/11 -- has global reach. The United States is leading the global effort to increase financial transparency, and rules guaranteeing a certain level of transparency are absolutely required if we are to be effective in tracking terrorist financing.

...

- **Statement by Juan Zarate**

Assistant Secretary, Terrorist Financing and Financial Crimes, U.S. Department of the Treasury

Before the United

Nations Security Council 1267 Sanctions Committee

January 10, 2005

(<http://www.treas.gov/press/releases/js2189.htm>)

...

The importance of targeted financial sanctions in the global CFT campaign

Targeted financial sanctions are the cornerstone of our campaign against terrorist financing. In addition to its primary function of swiftly freezing funds and keeping them out of the hands of terrorists, if used properly and implemented comprehensively, designations can be invaluable by:

- (1) shutting down the pipeline through which designated parties raise and move money;
- (2) informing third parties, who may be unwittingly financing terrorist activity, of their association with supporters of terrorism;
- (3) deterring non-designated parties, who might otherwise be willing to finance terrorist activity; and
- (4) forcing terrorists to use potentially more costly, less efficient and/or less reliable means of financing.

These benefits of designation cannot be measured by simply totaling the amount of terrorist-related assets frozen. Terrorist-related accounts are not pools of water awaiting discovery as much as they are rivers, with funds constantly flowing in and out. By freezing accounts, we dam that river, thus not only capturing whatever water happens to be in the river at that moment but, more importantly, also ensuring that the targeted individual or organization can never in the future act as a conduit of funds to terrorists. Indeed, if fully implemented, a designation isolates supporters of terrorism from the formal financial system, incapacitating them or driving them to more expensive, more cumbersome, and riskier channels.

The effective implementation of designations can also uncover invaluable information about terrorist financing networks. Investigation of accounts and transactions frozen or blocked in accordance with UN member state obligations can lead to terrorist financiers, intermediaries and operatives for further action. In the U.S., authorities can quietly gather this information through the application of a new tool under Section 314(a) of the USA PATRIOT Act. Section 314 allows the Treasury Department, through our Financial Intelligence Unit (FIU), the Financial Crimes Enforcement Network (FinCEN), to circulate requests for information about specific targets throughout our banking system. Banks having any such information report back to FinCEN, which then passes this along to appropriate law enforcement authorities for follow up action.

This invaluable tool allows us to identify and unravel terrorist networks without alerting them to ongoing investigations. However, for states that lack this capability, designations may be the best way to discover and immediately interdict terrorist financial activity occurring within their financial systems.

Developing and implementing terrorist financing designations in U.S.

The effectiveness of designations largely depends upon broader systemic reforms by UN member states to combat terrorist financing and financial crimes more generally. These broader systemic reforms are evident in the development and implementation of global anti-money laundering and counter-terrorist financing standards, promulgated by the UN and other international bodies such as the Financial Action Task Force (FATF). These standards promote the financial transparency and accountability that provide a necessary foundation for the development of effective terrorist financing sanctions regimes.

Fully utilizing targeted financial sanctions to identify, disrupt and dismantle terrorist financing networks also requires a comprehensive terrorist financing sanctions regime. In the U.S., we have developed a legal framework and devoted significant attention and resources to create such a regime.

The legal authority for our terrorist financing sanctions regime is described comprehensively in the reports that we have submitted to this Committee and the UN 1373 Counter-Terrorism Committee. This legal framework gives us the ability to impose terrorist financing sanctions on those parties whom we have reason to believe are providing support to terrorists.

...

## **REPORTS, DOCUMENTS & RELEASES**

- [EU, U.S. Review Cooperation on Terrorism Finance Issues](#)

May 10, 2005

(<http://www.state.gov/e/eb/rls/othr/2005/45971.htm>)

*Jointly Released by the Department of State and the European Union*

Delegations representing the European Union and the United States met May 10 in Brussels to review cooperation on terrorism finance issues since the June 2004 USEU summit in Dromoland, Ireland discuss next steps in the runup to this year's summit, scheduled for June 20 in Washington.

The delegations chaired by Assistant Secretary Tony Wayne of the Department of State and Deputy Political Director Georges Friden of the Luxembourg Presidency in the presence of EU Counterterrorism coordinator Gijs de Vries, highlighted progress since the first adhoc informal USEU Troika on terrorism finance issues, a forum established last September to facilitate dialogue between representatives of all three EU pillars with counterparts from US agencies. During the last six months, the two sides have:



- Jointly organized a series of workshops to enable American and European prosecutors and investigators to share experiences and best practices in building terrorism finance cases, and designation authorities to exchange ideas on implementing financial sanctions against terrorists and their supporters.
- Conducted a joint financial systems assessment mission to Tanzania at the invitation of the United States.
- Engaged in productive exchanges in a roundtable sponsored by the European Commission on regulation of nonprofit organizations pursuant to Financial Action Task Force (FATF) Special Recommendation VIII.

The delegations undertook to deepen cooperation through further implementation of the 11 terrorism finance elements of the Dromoland Declaration on Combating Terrorism. They committed to explore a range of options between now and the June 20 USEU Summit in Washington for new and enhanced initiatives aimed at reinforcing our shared fight against terrorist financing.

- **Money Laundering and Terrorist Financing - A Global Threat**  
**International Narcotics Control Strategy Report 2005**

Released by the Bureau for International Narcotics and Law Enforcement  
Affairs/U.S. Department of State  
March 2005

(<http://www.state.gov/g/inl/rls/nrcrpt/2005/vol2/html/42380.htm>)

International recognition of, and action against, the threat posed by money laundering continue to increase. Money laundering poses international and national security threats through corruption of officials and legal systems, undermines free enterprise by crowding out the private sector, and threatens the financial stability of countries and the international free flow of capital. Undeniably, the revenue produced by some narcotics-trafficking organizations can far exceed the funding available to the law enforcement and security services of some countries.

After the terrorist attacks of September 11, 2001, the United States and its allies launched a global war on terror focused on five fronts: diplomatic, financial, military, intelligence, and law enforcement. The United States and the global community quickly recognized the critical role that combating terrorist financing should play in the overall global effort against terrorism.

#### Money Laundering and Terrorist Financing: Differences and Similarities

Most crime is committed for financial gain. The primary motivation for terrorism, however, is not financial; rather, terrorist groups usually seek goals such as publicity for their cause and political influence. Ordinarily, criminal activity produces funds and other proceeds that traditional money launderers must disguise by taking large cash deposits and entering them into the financial system without detection.

Funds that support terrorist activity may come from illicit activity but are also generated through means such as fundraising through legal non-profit entities. In fact, a significant portion of terrorists' funding comes from contributors, some who know the intended purpose of their contributions and some who do not. Because terrorist operations require relatively little money (for example, the attacks on the World Trade Center and the Pentagon are estimated to have cost approximately \$500,000), terrorist financiers need to place relatively few funds into the hands of terrorist cells and their members in order to carry out their objectives. This is a significantly easier task than seeking to disguise the large amounts of proceeds generated by criminal and drug kingpins.

...

#### Movements of Criminal and Terrorist Funds

The methods used to move money to support terrorist activities are nearly identical to those used for moving and laundering money for general criminal purposes. In many cases, criminal organizations and terrorists employ the services of the same money professionals (including accountants and lawyers) to help move their funds.

In addition to the continued use of the formal financial sector, terrorists and traffickers alike employ informal methods to move their funds. One common method is smuggling cash, gems or precious metals across borders either in bulk or through the use of couriers. Likewise, both traffickers and terrorists rely on moneychangers. Moneychangers play a major role in transferring funds, especially in countries where currency or exchange rate controls exist and where cash is the traditionally accepted means of settling accounts. These systems are also commonly used by large numbers of expatriates to remit funds to families abroad.

Both terrorists and traffickers have used alternative remittance systems, such as "hawala" or "hundi," and underground banking; these systems use trusted networks that move funds and settle accounts with little or no paper records. Such systems are prevalent throughout Asia and the Middle East as well as within expatriate communities in other regions.

Trade-based money laundering is used by organized crime groups and, increasingly, by terrorist financiers as well. This method involves the use of commodities, false invoicing, and other trade manipulation to move funds. Examples of this method include the Black Market Peso Exchange in the Western Hemisphere, the use of gold in the Middle East, and the use of precious gems in Africa.

Some terrorist groups may also use Islamic banks to move funds. Islamic banks operate within Islamic law, which prohibits the payment of interest and certain other activities. They have proliferated throughout Africa, Asia, the Middle East, and most recently Europe, since the mid-1970s. Many of these banks are not subject to the anti-money laundering regulations and controls normally imposed on secular commercial banks. While they may voluntarily comply with banking regulations, and in particular, anti-money laundering guidelines, there is often no control mechanism to assure such compliance or the implementation of updated anti-money laundering policies.

...

- **[The Global War on Terrorist Finance](#)**

Electronic Journal

Bureau of International Information Programs/U.S. Department of State

September 2004

(<http://usinfo.state.gov/journals/ites/0904/ijec/ijec0904.htm>)



## CONTENTS

### **About This Issue**

John Snow, U.S. Secretary of the Treasury

### **Bankrupting Terrorists**

Juan Carlos Zarate, Assistant Secretary of the Treasury for Terrorist Financing

Sharing of financial information helps unearth terrorist cells and networks while freezing assets and other economic sanctions incapacitate terrorists' ability to carry out attacks.

### **Internationalizing the Fight**

E. Anthony Wayne, Assistant Secretary of State for Economic and Business Affairs

The United States and its international partners are working on how to deal with informal financial systems and non-governmental organizations through which terrorists collect and move their funds.

### **Building a Counterterrorist Finance Regime**

Celina Realuyo, Director of Counterterrorism Finance Programs, U.S. Department of State

The U.S. government helps foreign allies enhance their capacity to prevent terrorists from using the international financial system to underwrite their plots.

### **Response to Bali: An International Success Story**

Celina Realuyo and Scott Stapleton, U.S. Department of State

After the terrorist bombings in Bali, the international community came together to help Indonesia rapidly develop the capacity it needs to fight further terrorist activity.

### **Banks and the USA PATRIOT Act**

John J. Byrne, Director, American Bankers Association's Center for Regulatory Compliance

The PATRIOT Act includes several provisions long advocated by the banking industry, but banks will need additional government intelligence to effectively detect or prevent the financial transactions of terrorists.

### **Hawala: Based on Trust, Subject to Abuse**

Mohammad El-Qorchi, Deputy Area Chief, International Monetary Fund

Regulation should aim not to eliminate hawala, the informal channel for transferring funds from one location to another, but to prevent its misuse.

### **Hizballah Smokescreen**

An illustration of how illegal cigarette sales in the United States financed a terrorist organization in Lebanon.

### **Roles and Responsibilities**

A table of U.S. government entities involved in combating terrorist finance.

### **Bibliography**

### **Internet Resources**

---

## **“Internationalizing the Fight”**

By E. Anthony Wayne

Assistant Secretary of State for Economic and Business Affairs

*Terrorists move money through channels as diverse as major banks, charities, and alternative remittance systems. U.N. member states are obligated to apply sanctions against designated terrorists and their financial supporters, including freezing assets, banning travel, and enforcing arms embargos. However, gaps in enforcing sanctions exist, and the United States and its international partners are working to address how to deal with informal financial systems and non-governmental organizations through which terrorists collect and move their funds. The United States is providing substantial assistance to other governments to help them attain the technical ability and skills to clamp down on terrorist financing activity.*

The international community is engaged in a long-term campaign against terrorism. One of the critical fronts in this fight is the effort to disrupt the financial networks that sustain terrorist organizations and finance their operations.

This article examines how the U.S. government is organized to fight terrorist financing, what the international community is doing, and what challenges lie ahead as terrorist organizations find new ways to raise and transfer money.

The main development in 2004 has been the genuine internationalization of the effort to stop flows of money to terrorists. For example, Italy proposed more candidates for U.N. sanctions than any other country, followed by the United States, Algeria, Saudi Arabia, and Germany. The European Union issued a major counterterrorism declaration on March 25, 2004, including very specific commitments on counterterrorist finance. In mid-2004, Saudi Arabia placed all overseas charities headquartered in Saudi Arabia under a government-controlled umbrella organization. This action effectively closed the overseas branch offices of the Al-Haramain Foundation, a major international charity, several branches of which had provided support for al-Qaida. The decision also enabled Saudi government control of transactions between Saudi charities and their overseas affiliates. This action should plug a number of conduits for terrorist financing and provides an example of close coordination among responsible nations working together to combat the financing of terrorism.

## The U.S. Effort

The tools to combat terrorist finance include intelligence, law enforcement, designation and asset freeze, and various diplomatic initiatives. These tools are often mutually reinforcing.

One of the most important aspects of the U.S. effort is the public designation of terrorists and their supporters and the freezing of their assets. So far, the United States has designated some 384 individuals and entities.

Legal authority to freeze assets is contained in Executive Order 13224, signed September 23, 2001, deriving authority from the International Emergency Economic Powers Act and the United Nations Participation Act. The Executive Order, available at [www.state.gov/e/eb](http://www.state.gov/e/eb), enables the Executive Branch to freeze assets administratively and permits quick, flexible, and extensive action.

Equally important is a coordinated interagency process led by the National Security Council. It includes the departments of State, Treasury, Justice, Homeland Security, and Defense, as well as intelligence and enforcement agencies. Indeed, our interagency approach could well be a model for other countries and regional entities looking to restructure their counterterrorism efforts.

The process begins with analysis of money transfers by suspected terrorists and their financial backers. Targets for action are developed. The interagency group meets to examine alternative options to disrupt these networks. Action could include:

- the Department of the Treasury designating an individual or group, freezing the assets located in the United States or in overseas branches of U.S. corporations or under the control of U.S. persons worldwide, and barring any transactions with U.S. persons or corporations
- the Department of Justice or Federal Bureau of Investigation (FBI) initiating an investigation and, possibly, prosecution
- the Department of State developing a strategy to win international support for our action, for example, by seeking U.N. sanctions

## The United Nations

The United Nations has stepped up its efforts to fight terrorist financing. It requires all countries:

- to prevent and suppress the financing of terrorist acts (including U.N. Security Council Resolution 1373)
- to freeze the assets of individuals and entities linked to Usama bin Laden, the Taliban, or al-Qaida (UNSCR 1267 and subsequent relevant resolutions, most recently, UNSCR 1526)

The United Nations has established a process for reviewing requests from member states to add the names of individuals and entities subject to asset freezes to a consolidated list maintained by its 1267 Sanctions Committee. U.N. member states are obligated to take certain measures against these names, including asset freeze, arms embargo, and travel ban.

So far, the international community has frozen approximately \$142 million in assets from individuals and entities on the consolidated list. The U.N. mechanism is proving invaluable in internationalizing asset freezes and underscoring the global commitment against terrorism. This is a U.N. list, and imposing specified sanctions against the listed individuals and entities is an obligation of all U.N. members.

It is important to point out that cooperation in designating individuals and entities is a truly global endeavor. Many countries, including Saudi Arabia, Algeria, France, Spain, Italy, Belgium, Germany, the United Kingdom, China, and Russia, continue to submit al-Qaida-linked names to the Sanctions Committee to be added to its consolidated list. Let me give two examples:

*U.S.-Saudi Joint Designations:* In March 2002, the United States and Saudi Arabia jointly requested the U.N. 1267 Sanctions Committee to add the names of the Somalia and Bosnia-Herzegovina branches of Al Haramain, a Saudi-based charitable organization, to its consolidated list. These two branches, now closed, were linked to al-Qaida. Subsequently, and as a result of joint U.S.-Saudi referrals, the name of Wa'el Hamza Julaidan, an associate of Usama bin Laden, was added to the consolidated list in late 2002, and nine additional branches of Al-Haramain were added in 2004.

*Jemaah Islamiya:* In October 2002, 50 countries, including all the members of the Association of Southeast Asian Nations (ASEAN) and the European Union, joined together in submitting the name of Jemaah Islamiya to the 1267 Committee. Jemaah Islamiya is responsible for perpetrating a number of deadly attacks, including on a Bali nightclub.

#### National Laws, Regulations, and Standards

Since 9/11, more than 80 countries have adopted new laws and regulations to fight terrorist financing or are in the process of doing so. The number of Financial Intelligence Units that have met the internationally agreed standards and are able to share information through membership of the Egmont Group (countries with operational financial intelligence units) increased from 69 to 84 members. We have worked closely with the Financial Action Task Force on money laundering (FATF) and its associate regional bodies in this effort.

FATF, an intergovernmental body of 33 countries, has expanded its mandate to include terrorist financing. In addition to its 40 original recommendations on money laundering, FATF has generated eight Special Recommendations on Terrorist Financing that have become the international operational standard on addressing terrorist financing.

These recommendations provide a blueprint for countries that need to modify their laws and financial systems to comport with international standards. FATF's ability to publicly list countries with poor anti-money laundering practices encourages countries to put in place stronger money laundering regimes. As a result of this publicity, Nigeria, Ukraine, and the Philippines moved to implement vastly improved legal systems.

Countries have also worked to ensure that terrorists are unable to misuse charities or alternative remittance systems, also known as "hawalas," and money service businesses. Until 9/11, the hawala system was completely unregulated in many jurisdictions. While most hawala transactions are legitimate remittances to families by expatriate workers, terrorists have also used the informal remittance sector.

The Central Bank of the United Arab Emirates (UAE) hosted an international conference in May 2002 where nearly 40 countries recognized for the first time the need to regulate the hawala sector. A second international conference on hawala was held in the UAE in April 2004 to acknowledge and reaffirm the important achievements of the first conference and to establish a plan for continued work. A number of countries, including the UAE and Pakistan, have taken steps to regulate the informal sector, and we are encouraged by initial signs of an increase in the use of banking channels to transfer workers' remittances from the Gulf and elsewhere to their families in South Asia. We will continue to work actively to establish greater levels of transparency and accountability for the informal sector.

Countries around the world have also addressed terrorists' raising and moving funds by masquerading their activities as charitable causes. Hamas fundraising, to take one example, is known to blend funds for both charitable and militant uses. Two very recent examples of countries' actions are European Union countries' designation of Hamas for asset freeze, and, as noted earlier, Saudi Arabia's umbrella organization to supervise all international charities and all overseas transactions by charities.

### Capacity Building

Many countries do not have the technical ability and skills to take the actions required of them. The U.S. government has engaged in important capacity-building initiatives with other governments to clamp down on terrorist financing activity. The State Department has obligated more than \$11.5 million for counterterrorist finance assistance since 2002. We have prioritized countries needing assistance and shaped programs based on this prioritization. The FATF, G8 (Group of Eight industrialized countries), United Nations Committee on Counterterrorism (CTC), International Monetary Fund, and World Bank are also pursuing and coordinating with us on efforts in this area.

In this context, I want to stress that our embassies around the world have been essential in helping to develop and implement all elements of this global strategy. This input is invaluable as we craft objectives and we implement efforts to build our coalition and take effective actions.

## Results and Next Steps

Working with countries around the world, we have made it more difficult for terrorists to collect and move funds. The European Union has designated for asset-freezing almost all the names designated by the United States under E.O. 13224. At the June 2004 U.S.-EU summit, the EU committed to work actively with the United States to strengthen efforts against terrorist financing. In the Middle East, South Asia, Latin America, and East Asia, states are working to deprive terrorists of their ability to raise funds in the region.

We have much work cut out for us, however. Terrorist financing appears to be more decentralized than previously, with money often sourced from charities, alternative remittance systems, and even crime, and the money is often transported by courier. In the area of training and technical assistance, international needs remain great.

Given that money is making its way into the hands of terrorists around the world, the only way we will be successful in drying up their financial resources is through continued, active international engagement with countries around the globe. These efforts are succeeding, and they will continue to do so.

- **[Terrorist Financing: Current Efforts and Policy Issues for Congress](#)**

CRS Report, Congressional Research Service/ Library of Congress

August 20, 2004

([http://www.usembassy.at/en/download/pdf/terror\\_finance.pdf](http://www.usembassy.at/en/download/pdf/terror_finance.pdf))

### CRS Report for Congress

Received through the CRS Web

## Introduction<sup>1</sup>

Since the September 11, 2001 attacks, there has been significant interest in terrorist financing. Following the attacks, the administration stated its goal of “starving the terrorists of funding and shutting down the institutions that support or facilitate terrorism.”<sup>2</sup> In the months immediately following the attacks, substantial funds were frozen internationally. After this initial sweep, the freezing of terrorist assets slowed down considerably. As of November 2002, analysts noted that of the roughly \$121 million in terrorist assets frozen worldwide, more than 80% of that had been blocked in the first three months following the attacks.<sup>3</sup>

<sup>1</sup> This section was prepared by Martin A. Weiss/FDT.

<sup>2</sup> Statement of Secretary Paul O'Neill on Signing of Executive Order Authorizing the Treasury Department to Block Funds of Terrorists and their Associates, September 24, 2001.

<sup>3</sup> CRS Report RL31658, *Terrorist Financing: The U.S. and International Response*, pg. 1.



Over the next year and a half, an additional \$80 million was frozen, bringing the current total to roughly \$200 million.<sup>4</sup>

According to the 9/11 Commission: the United States must “[e]xpect less from trying to dry up terrorist money and more from following the money for intelligence, as a tool to hunt terrorists, understand their networks, and disrupt their operations.”<sup>5</sup> According to Commission Chairman Thomas Kean, “[r]ight now we have been spending a lot of energy in the government trying to dry up sources of funding.” Kean further noted that, “[o]bviously if you can dry up money, you dry it up, but we believe one thing we didn’t do effectively is follow the money. That’s what we have to do.”<sup>6</sup>

While the goals of freezing terrorist funds and tracking them for intelligence are not mutually exclusive, they tend to emphasize different strategies and approaches. For example, the FBI and other intelligence agencies have a history of gathering intelligence by monitoring financial transactions and relationships over extended periods of time, for example in its investigations of the Mafia, and then using laws against financial crimes to eventually arrest the perpetrators. The Department of the Treasury, by contrast, has traditionally favored freezing terrorist assets as soon as possible. This tension is echoed by Jonathan Winer, a former Deputy Assistant Secretary of State for International Law Enforcement under President Bill Clinton, “[t]here is a big ideological divide right now between the asset freezers and the people who want to follow the money as it changes hands. There’s no easy answer one way or another.”<sup>7</sup> Effectively combating terrorist financing requires effective coordination of many different elements of national power including intelligence gathering, financial regulation, law enforcement, and building international coalitions. “There are a number of areas where jurisdiction is blurred,” according to one senior official.<sup>8</sup>

Congress has taken an active interest in this debate on terrorist financing, holding numerous hearings over the past few years, both in the House, and in the Senate. This report responds to this increased interest in terrorist financing by analyzing the roles of relevant U.S. agencies and departments involved in tracking and seizing terrorist financing.

---

<sup>4</sup> Testimony of Samuel W. Bodman, Deputy Secretary U.S. Department of the Treasury Before the Senate Committee on Banking, Housing and Urban Affairs, April 29, 2004.

<sup>5</sup> Executive Summary, Final Report of the National Commission on Terrorist Attacks Upon the United States, July 2004, pgs. 18-19, available at [<http://www.9-11commission.gov/report/911ReportExec.pdf>]

<sup>6</sup> See Laura Sullivan, “U.S. Split on Tracing, Freezing Terror Funds,” *Baltimore Sun*, Aug. 2, 2004.

<sup>7</sup> *Ibid.*

<sup>8</sup> Lauren Shepherd, “Nominees stalled by turf battle,” *The Hill*, June 9, 2004.

## MEDIA ITEM

- **The Global Effort to Stop Terrorist Financing**

By Jimmy Gurulé

(*Hampton Roads International Security Quarterly*, January 15, 2004)

Following the terrorist attacks of September 11, 2001, an essential component of the United States government's counter- terrorism strategy has been to identify, disrupt, and dismantle the financial networks of terrorist organizations. The global effort to stop terrorist financing is fundamentally a preventive strategy. Simply stated, if the United States, with the support of the global community, is able to impede the transfer of funds needed to finance acts of terror, it can prevent the commission of future acts of terrorism, and, in the process, prevent the killing of thousands of innocent people.

In a speech delivered on September 24, 2001, President George W. Bush unequivocally declared that the war on terrorism would be waged on the financial front:

Today, we have launched the first strike on the financial foundation of the global terror network . . . . We will direct every resource at our command to win the war against terrorists; every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence. We will starve terrorists of funding, turn them against each other, rout them out of their safe hiding places, and bring them to justice.

The Legal Underpinning to U.S. Anti-terrorist Action On September 23, 2001, the President directed the first strike against the financiers of terror by issuing Executive Order 13224. That order, issued under the authority of the International Emergency Economic Powers Act (IEEPA), declared a national emergency with respect to acts and threats of terrorism committed by foreign terrorists against the United States. The order allows the United States to freeze assets subject to U.S. jurisdiction and prohibits transactions by U.S. persons with any designated person or entity based on their association with terrorists or terrorist organizations. Specifically, the order authorizes blocking all U.S. assets and transactions of foreign individuals, groups, and entities designated by the President, the Secretary of State, or Secretary of the Treasury as committing or posing a significant risk of committing acts of terrorism threatening the U.S. national security, foreign policy or economy. The order also permits blocking the property of persons found to provide support to, or to be otherwise associated with, any of these designated foreign persons, and forbids U.S. persons from doing business with those individuals. Executive Order 13224 includes an annex that lists 27 organizations and individuals whose assets are blocked because of their ties to terrorism.

...

For full text of this article please contact the American Reference Center at: [arc@usembassy.at](mailto:arc@usembassy.at).

Please visit the homepage of the U.S. Embassy Vienna, Austria at: <http://www.usembassy.at>



The program page on **“Evaluating the Progress In the Global War Against Terrorist Financing”** will be available at:  
<http://www.usembassy.at/en/embassy/photo/gurule05.htm>.

Information about the services and resources of the American Reference Center is available at:  
<http://www.usembassy.at/en/embassy/arc.htm>.



This program brief was prepared by the American Reference Center.  
For your convenience all links included in this brief are hyperlinked in the online pdf-version, which will be made available on the program page at  
<http://www.usembassy.at/en/embassy/photo/gurule05.htm>. For printouts of items referred to in this brief or for any additional information please contact the American Reference Center at:  
[arc@usembassy.at](mailto:arc@usembassy.at).